

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 STR-05 DODE-00 PA-02

PRS-01 AGRE-00 SS-15 INT-05 /095 W

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R 210758Z NOV 77

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 7687

INFO AMCONSUL HONG KONG

UNCLAS SEOUL 9829

HONG KONG FOR REGFINATT

E.O. 11652: N/A

TAGS: BEXP, ETRD, EFIN, KS

SUBJECT: LIST OF RAW MATERIALS ELIGIBLE FOR WON CURRENCY LOANS
UNDER NEW IMPORT FINANCING REGULATIONS

REF: SEOUL 9434

1. REFTEL OUTLINED MEASURES TAKEN BY KOREAN GOVT ON NOV. 1, WHEREBY TYPE-III FOREIGN CURRENCY LOANS (LOANS EXTENDED BY FOREIGN BRANCH BANKS TO FINANCE IMPORTS OF ESSENTIAL RAW MATERIALS) WERE ABOLISHED, TO BE REPLACED BY: (A) NEW WON CURRENCY LOAN FACILITY; AND (B) SPECIAL FOREIGN CURRENCY LOANS, AT MORE FAVORABLE RATES, APPLICABLE TO IMPORTS OF RAW COTTON AND CERTAIN OTHER DESIGNATED ITEMS. PURPOSE OF THESE MEASURES WAS TO CUT DOWN ON INFLOW OF FOREIGN EXCHANGE FROM ABROAD, AND MAKE MAXIMUM USE OF FX RESERVES ALREADY AVAILABLE IN-COUNTRY. THIS MESSAGE PROVIDES FURTHER DETAILS ON THE NEW WON CURRENCY LOAN FACILITY FOR THE INFORMATION OF INTERESTED U.S. RAW MATERIALS EXPORTERS.

2. NEW WON CURRENCY LOANS, AS NOTED REFTEL, ARE AVAILABLE
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ON REPAYMENT TERMS OF UP TO SIX MONTHS, AT INTEREST RATE OF 15 PCT (FOR PRIME BORROWERS) OR 16 PCT (FOR OTHER BORROWERS). IMPORTERS MAY OBTAIN SUCH LOANS TO COVER UP TO 70 PCT OF THEIR IMPORT BILL (EXTENDABLE TO 90 PCT IF THE BANK OF KOREA GOVERNOR APPROVES). IN ORDER TO BE ELIGIBLE, HOWEVER, APPLICANTS MUST IMPORT ON A SIGHT BILL BASIS, IE PAYMENT MUST BE MADE ON PRESENTATION OF SHIPPING DOCUMENTS RATHER THAN ON A DEFERRED-

PAYMENT BASIS. UNDER THE NEW WON LOAN FACILITY, LOCAL IMPORTERS DRAW CHECKS ON AN ACCOUNT AT ONE OF THE LOCAL KOREAN FOREIGN EXCHANGE BANKS; THE FOREIGN EXPORTERS CAN NEGOTIATE THESE CHECKS AT THE BANK FOR FOREIGN CURRENCY, WHILE THE IMPORTER REPAYS THE BANK IN WON.

3. WHEN NEW WON LOAN SYSTEM WAS ANNOUNCED NOV. 1, GOVT SAID IT WOULD APPLY TO IMPORTS OF RAW COTTON, RAW MATERIALS USED FOR DEFENSE, AND QUOTE OTHER ITEMS DESIGNATED BY THE GOVERNOR OF THE BANK OF KOREA UNQUOTE. ON NOVEMBER 18, THOSE OTHER ITEMS WERE SPECIFIED. THEY ARE:

- BEEF TALLOW;
- PHOSPHATE ROCK;
- COPPER ORE;
- IRON ORE;
- LOGS;
- WOOD PULP;
- SCRAP IRON;
- HOT COIL;
- WIRE ROD;
- DMT AND PTA (PETROCHEMICALS).

4. APPLICABILITY OF THE MORE FAVORABLE SPECIAL FOREIGN CURRENCY LOANS (AVAILABLE ON ONE-YEAR TERMS AT LIBOR PLUS 1.25 PERCENT) HAS NOT YET BEEN FULLY ELABORATED. SO FAR UNCLASSIFIED

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THEY ARE APPLICABLE ONLY TO IMPORTS OF RAW COTTON (UP TO LIMIT OF \$120 MILLION). QUOTE OTHER DESIGNATED ITEMS UNQUOTE HAVE NOT YET BEEN DETERMINED BY FINANCE MINISTER.
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Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
Executive Order: N/A
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Expiration:
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